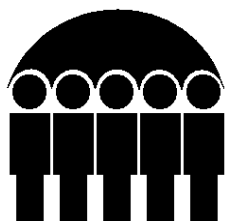


Revised March 16, 2007

Employees' Manual
Title 24
Chapter H

CAPITAL ASSET AND SUPPLY INVENTORY CONTROL



Iowa
Department
of
Human Services

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Overview

The Department of Human Services is charged by law to maintain an up-to-date inventory of capital assets and to reconcile that inventory.

Legal Basis

The legal basis for the policies in this chapter is found at:

- ◆ Iowa Code section 7A.30, "Inventory of state property"
- ◆ Iowa Code section 218.48, "Annual reports"
- ◆ 11 Iowa Administrative Code 110.2(1), Department of Administrative Services rules on personal property

Definitions

"Capital asset" is any item or equipment that has an acquisition value of \$5,000 or more and has an anticipated useful life of one year or more. Computer software is excluded from this definition.

"Capital improvement" is an improvement to assets (other than building and infrastructure) costing \$5,000 or more, which will enhance the value of that capital asset and extend the useful life of the asset. Upon completion, the capital improvement shall be reflected as a separate item on the Capital Asset Inventory System.

"Central office" includes all Department offices located in Polk County with the exception of Polk County field offices.

"Construction in progress" means capital assets under construction or development that have not yet been placed into service, such as a building or parking lot.

"Expendable item" means any item or piece of equipment that has an acquisition value of less than \$5,000 or any item or piece of equipment with a useful life of less than one year.

"Gifts/bequests" means items received as a gift or bequest.

"Infrastructure" means items that are long-lived capital assets and normally can be preserved for a significantly greater number of years than most capital assets and are normally stationary in nature, and generally of value only to the government. Examples include:

- ◆ Roads,
- ◆ Bridges,
- ◆ Tunnels,
- ◆ Drainage systems,
- ◆ Water and sewer systems,
- ◆ Dams,
- ◆ Street lighting systems, and
- ◆ Buildings that are an ancillary part of a network of infrastructure asset, such as rest area facilities and road maintenance shops.

"Lease purchase" is an item acquired through a lease purchase agreement shall be added to the Capital Asset Inventory System upon receipt of the item if

- ◆ Title or ownership for the asset will pass to the Department at the end of the lease term, or
- ◆ There is an option to purchase the item at a discounted price.

"Major maintenance" means any expenditures made beyond the regular, normal upkeep of physical properties (i.e., land, buildings, and equipment) for the repair or replacement of failed or failing building components as necessary to return a facility to its currently intended use, to prevent further damage, or to make it compliant with changes in laws, regulations, codes or standards.

"Rentals" means items that are rented are considered operating leases.

"Repairs" are improvements and maintenance costing less than \$5,000 that are considered ordinary and recurring. Repairs shall not be reflected on the Capital Asset Inventory System.

Capital Asset Inventory

The Department utilizes the Integrated Information for Iowa (I/3) Capital Asset Inventory System provided by the Department of Administrative Services (DAS). I/3 is an on-line system that allows update of inventory records and periodic inventory status reports. The purpose of these records is to:

- ◆ Account for all capital assets,
- ◆ Provide accurate depreciation information, and
- ◆ Act as a management tool to aid in planning for the replacement of capital assets.

The Department facilities may use the I/3 Capital Asset Inventory System or an alternative system that tracks the information required for the annual Generally Accepted Accounting Principles (GAAP) report and all other reporting requirements.

Persons responsible for the accuracy and annual verification of inventory records are as follows:

- ◆ For central office, the Bureau of Purchasing, Payments and Receipts
- ◆ For service areas, the service area managers
- ◆ For Department facilities, the business managers
- ◆ For child support recovery regional offices, the regional collection administrators
- ◆ For case management Offices, the accountant

The designated person is responsible for the following duties for the respective location:

- ◆ Determining which items will be included in the Capital Asset Inventory System according to the policies set forth in this chapter.
- ◆ Computing the final acquisition value of an item.
- ◆ Assigning appropriate life expectancy and salvage values.
- ◆ Ordering inventory tag numbers from DAS Printing and issuing the tags to the authorized personnel.
- ◆ Reviewing the capital asset inventory update forms for completeness.
- ◆ Providing instructions and oversight for entering all additions, changes, deletions, and transfers in the Capital Asset Inventory System whenever an update is required to the inventory.

- ◆ Maintaining a file of all Departmental capital asset inventory transactions. The file shall contain:
 - The agency's master inventory list (by tag number within agency number),
 - A copy of the transaction report, and
 - A copy of all inventory forms.
- ◆ Requesting that a physical inventory be taken. A complete physical inventory is recommended annually and must be completed at least every two years.

Each business manager shall be responsible for the following for the respective facility.

- ◆ Downloading reports from the I/3 Data Warehouse.
- ◆ Distributing reports to responsible personnel.

The Bureau of Purchasing, Payments, and Receipts is responsible for these duties for all other Department locations.

All paperwork (purchase orders, receiving slips, and inventory update forms) shall be forwarded to the business office for each institution or to the designee for all other locations.

Inventory Tags

Upon receipt, each capital asset shall be tagged by receiving personnel. Inventory tags (blank and pre-numbered) shall be those provided by the Department of Administrative Services.

The Bureau of Purchasing, Payments, and Receipts shall be responsible for the receipt and tagging of all equipment items for central office. The person responsible for inventory control in each service area, child support recovery office, case management office, or Department facility shall be responsible for tagging new inventory items at that location.

Blank property tags shall be used to identify items valued at less than \$5,000 which, based on their appearance, could otherwise be assumed to be inventoriable equipment. Items that may be considered desirable for "personal use" may be blank tagged as well.

Where it is determined that the use of these tags is not effective, e.g., farm operations, another system may be used that disallows entry of duplicate numbers into the inventory system.

Items Listed on Capital Asset Inventory System

All capital assets shall be entered onto the Capital Asset Inventory System at the time of acquisition and shall remain on the inventory system until the item is disposed of. Capital assets attached to a building at the time it was purchased shall be carried on the Capital Asset Inventory System as part of that building until replaced.

When the capital asset is replaced, it shall be tagged and carried on the Capital Asset Inventory System as a separate item. No deletion will be recorded for the disposal of the original asset that was considered part of the building at the time of purchase.

Lease-Purchase

Title for items purchased on a lease-purchase agreement is considered to pass to the Department at the time that the lease-purchase agreement is signed. These items shall be entered onto the Capital Asset Inventory System with the "lease/purchase acquisition" method.

When the lease purchase agreement is paid in full, the acquisition method shall be changed to "purchase." The asset is added at a value equal to the principal amount of the total payments and depreciated under normal depreciation rules.

Gifts or Acquisitions From Surplus

Property received from surplus property or as a gift, excluding works of art or historical treasures, shall be entered with an estimated fair market value at the time of acquisition plus ancillary charges. These items will be subject to depreciation over the estimated useful life unless they are either inexhaustible or infrastructure assets.

Rentals

Items that are rented are not added to the Capital Asset Inventory System. Rentals are considered operating leases and should be tracked separately.

Works of Art or Historical Treasures

Works of art and historical treasures acquired on or after July 1, 1999, will not be capitalized unless they are:

- ◆ Held for public exhibition, education, or research in furtherance of public service, rather than financial gain.
- ◆ Protected, kept unencumbered, cared for, and preserved.
- ◆ Subject to an organizational policy that requires the proceeds from sales of collection items to be used to acquire other items for collections.

However, collections already capitalized as of June 30, 1999, will remain capitalized and all additions to those collections will be capitalized.

Capitalized collections or items may require depreciation. Collections defined as inexhaustible, i.e., jewelry, paintings, etc., do not require depreciation, but exhaustible collections or items must be depreciated over their estimated useful lives.

“Inexhaustible” collections or individual works of art or historical treasures are those with extraordinarily long useful lives. Because of their cultural, aesthetic, or historical value, the holder of the assets applies efforts to protect and preserve the asset in a manner greater than that for similar assets without such cultural, aesthetic or historical value.

Acquisition Value of Capital Assets

The acquisition value of capital assets shall include the purchase price and all transportation and installation costs associated with the purchase. Items purchased on lease-purchase agreements shall be priced at the contract price. Ongoing interest charges and service costs shall not be included. Depreciation shall start at the time of acquisition.

Depreciation

The Capital Asset Inventory System allows you to:

- ◆ Depreciate items over a set number of years,
- ◆ Expend an item immediately and then set up a depreciation schedule for management control purposes, or
- ◆ Choose not to depreciate an item at all.

Generally, all items purchased with an acquisition value of \$5,000 or more must be depreciated. Questions relating to federal programs and how they apply to depreciation shall be referred to the Revenue Maximization Unit.

Depreciation shall be charged to the agency number using the item at the end of each fiscal year. When an item is deleted from the inventory, the balance of the unclaimed depreciation is netted against any sales revenue or trade-in value in order to calculate a gain or loss on the disposition of the asset.

All items added to the inventory system should be coded in the inventory system with the straight-line depreciation method.

All entries for additions, transfers, and deletions to the asset inventory must be entered and approved in the inventory system within the proper fiscal year. Entries for the fiscal year in the I/3 Capital Asset Inventory System must be completed no later than the last working day of July to be recorded in the fiscal year ending June 30.

Depreciation for June is processed in the I/3 Capital Asset Inventory System during the nightly cycle of the last working day of July each year. If an invoice for an asset acquired in the fiscal year ending June 30 has not been received in order to meet the end of July entry deadline, the asset should be added at the estimated acquisition cost.

When the invoice is received and paid, a "Fixed Asset Increase/Decrease (FI)" document should be entered in the I/3 Capital Asset Inventory System if an adjustment to the acquisition value is required.

All entries for assets acquired must be added to the inventory system within 30 days from the date of payment for the asset. Entries for transfer or disposal of assets must be entered in the inventory system within 30 days from the date of transfer or disposal of the asset. Documentation shall be maintained in the responsible office to verify:

- ◆ Date of acquisition, transfer or disposal.
- ◆ Nature of transfer or disposal.

Documentation for transfers and disposals must include an approval signature from an authorized official other than the personnel making the entry to transfer or dispose of the equipment.

Life Expectancy

Items shall be depreciated using the life expectancy guidelines found in this chapter unless otherwise specified by grant requirements or extraordinary circumstances. Those instances shall be documented and filed with the inventory records.

Capital Improvements

Capital improvement projects shall be listed separately on the Capital Asset Inventory System. The value shall be the cost of the improvement, including all construction costs, materials, labor, etc. In some instances, projects may extend over two or more state fiscal years. The portion of the project completed as of the end of the state fiscal year is to be added to the Capital Asset Inventory System.

The Department of Administrative Services, Design and Construction Bureau, shall determine if the useful life of the asset has been extended and to what extent. Facility requests for a review of redetermination of useful life by DAS Design and Construction staff shall be submitted through the Office of the Deputy Director for Field Operations.

If the useful life has been extended, the life expectancy shall be changed and the balance of the undepreciated cost shall be depreciated using the new life expectancy. The capital improvement project shall be depreciated over the remaining useful life.

Salvage Value

Salvage value shall always be set at zero unless otherwise specified by grant requirements. Those instances shall be documented and filed with the inventory records.

Inventory Reporting for Grants

The following information is available in the I/3 Capital Asset Inventory System:

- ◆ Brief description
- ◆ Vendor name
- ◆ Purchase order number or invoice number
- ◆ Date of acquisition
- ◆ Warrant number
- ◆ Model number and serial number
- ◆ State property tag number
- ◆ Location of equipment
- ◆ Life expectancy or useful life
- ◆ Purchase cost

The grant manager shall establish and maintain adequate control records for all government property, including property provided to, and in the possession or control of, a subcontractor. The grant manager's property control system shall be subject to internal control standards and be supported by adequate property records.

Grant managers shall track the equipment purchased with grant funds for all durable equipment with an acquisition value of \$5,000 or more. Grant managers must be able to provide a *Report of Government Property in Possession of Contractor* during the closeout steps at the end of the grant. The equipment report shall include the:

- ◆ Equipment name,
- ◆ Quantity,
- ◆ Purchase date,
- ◆ Manufacturer,
- ◆ Originating cost,
- ◆ Condition,
- ◆ Location, and
- ◆ Serial numbers.

Equipment Repair

All requests within central office for repair of office machinery or furniture shall be referred to the Bureau of Purchasing, Payments and Receipts.

Service area, child support, and case management offices and institutions should request estimates from local repair shops before authorizing outside repairs.

Cost of repairs is not added to the value of the asset.

Supply Inventory

Each Department facility and any other Department unit that maintains an expendable inventory shall maintain perpetual inventory records for all expendable items maintained in a warehouse or storeroom and all items specifically listed in Iowa Code Section 218.48.

Persons other than those regularly responsible for perpetual inventory records shall verify perpetual inventory records annually on a staggered basis. Each location shall establish a schedule identifying the warehouse or storeroom to be inventoried and when it shall be inventoried. All inventory variances shall be investigated and corrected by the designated personnel.



STATE OF IOWA

CHESTER J. CULVER, GOVERNOR
PATTY JUDGE, LT. GOVERNOR

DEPARTMENT OF HUMAN SERVICES
KEVIN W. CONCANNON, DIRECTOR

March 16, 2007

GENERAL LETTER NO. 24-H-3

ISSUED BY: Bureau of Purchasing, Payments, and Receipts,
Division of Fiscal Management

SUBJECT: Management Manual, Title 24, Chapter H, ***CAPITAL ASSET AND
SUPPLY INVENTORY CONTROL***, Title page (revised), Contents (page
1), revised; pages 1 through 8, revised; and pages 9 and 10, new.

Summary

This chapter is revised to:

- ◆ Change the name of the chapter from "Fixed Asset and Supply Inventory Control," to "Capital Asset and Supply Inventory Control."
- ◆ Update the policies and procedures.

Effective Date

Upon receipt.

Material Superseded

Remove the following pages from Management Manual, Title 24, Chapter H, and destroy them:

<u>Page</u>	<u>Date</u>
Title page	June 29, 1984
Contents (page 1)	January 16, 1985
1-5	June 29, 1984
6-8	January 16, 1985

Additional Information

Refer questions about this general letter to your facility business manager, service area manager, or regional administrator.